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UPDATE 1-Medline settles kickback case for \$85 mln

* Medline says no allegations government overpaid

* HCA, HealthSouth named as recipients of kickbacks (Adds HCA comment)

By [Bill Berkrot](#) and Jonathan Stempel

NEW YORK, March 11 (Reuters) - An Illinois medical products company will pay \$85 million to settle a whistleblower lawsuit accusing it of paying fraudulent kickbacks to hospitals and companies such as HCA Inc and HealthSouth Corp ([HLS.N](#)) that buy supplies paid for by Medicare and Medicaid.

Medline Industries Inc will pay the sum to the United States, which will then pay \$23.4 million to the whistleblower, former Medline employee Sean Mason.

Milberg LLP, which represents Mason, called the accord one of the largest involving alleged violations of the False Claims Act in which the federal government chose not to get involved.

Medline will also pay \$6 million to Milberg, according to the settlement agreement, a copy of which Reuters obtained.

In his complaint, Mason contended that privately held Medline offered the kickbacks to win new business.

He said some of these kickbacks were falsely labeled as "rebates," and others took the form of junkets, expensive gifts and charitable donations.

"Illegal inducements were paid to Medline's very largest customers, including HCA and HealthSouth, under contracts negotiated and administered through Medline's national accounts division," Mason said in the complaint.

Alex Liberman, Medline's general counsel, said the Mundelein, Illinois, company denied Mason's allegations, which date from more than five years ago, and settled to avoid the cost and burden of litigation.

"There were no allegations that Medline caused financial harm to our customers or that any government programs paid more for our products," Liberman said in a statement.

Mason said he worked at Medline from 1998 to 2005 as a distribution service manager and director of account implementation. He said these jobs gave him personal knowledge of inducements that the company may have granted.

Milberg partner Kirk Chapman said the settlement shows that the government's decision

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not to intervene in false claims cases "does not mean that they do not have any merit."

"We believe we acted properly regarding the allegations against Medline and have no reason to believe their settlement is related to us," HCA spokesman Ed Fishbough said.

A HealthSouth spokeswoman declined to comment.

Medline makes a variety of medical and surgical products including exam gloves, anesthesia and treatments for wounds.

HCA went private in 2006 in a \$21 billion buyout, excluding debt. Now called HCA Holdings Inc (HCA.N), it conducted a \$3.79 billion initial public offering this week, the largest backed by private equity firms in the United States. [ID:n09249146]

The case is Mason v. Medline Industries Inc et al, U.S. District Court, Northern District of Illinois, No. 07-05615. (Reporting by Bill Berkrot and Jonathan Stempel in New York; editing by Gary Hill and Andre Grenon)

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15-Year Fixed Refi	3.04%	3.14%
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